

NOTES TO FINANCIAL STATEMENTS

The Conneaut Telephone Company

December 31, 2013

13. NOTE PAYABLE - RTFC LONG TERM LOAN (Cont'd)



14. CAPITAL EQUIPMENT LEASES



15. LAWSUITS AND CONTINGENCIES

Management and legal counsel have informed us that they are not aware of any material litigation or contingencies.

16. ADVERTISING



The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

The Conneaut Telephone Company

December 31, 2013

17. OTHER OPERATING TAXES



18. CONCENTRATION



19. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Examples of such estimates and assumptions include – actuarial assumptions of remaining lives of employees for calculating postretirement pension obligations, postretirement health care benefits obligations, and expected long term rate of return on pension assets. Actual results could differ from those estimated.

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

The Comcaut Telephone Company

December 31, 2013

20. SUBSEQUENT EVENTS

A. NEW LEASES



B. CONTINGENCY



Subsequent events have been evaluated through July 22, 2014, the date of the issuance of these financial statements.

The accompanying notes are an integral part of these financial statements.

REDACTED FOR PUBLIC INSPECTION

SUPPLEMENTAL INFORMATION

SCHEDULES OF CELLULAR INCOME

THE CONNEAUT TELEPHONE COMPANY

Years Ended December 31, 2013 and 2012

	2013	2012	Increase (Decrease)
<u>OPERATING REVENUE</u>			
Ohio RSA #3 Limited Partnership - Operating Income			
State Access Revenue			
Sales - Net (Below)			
Sales - Commissions			
Total Revenue			
<u>OPERATING EXPENSES</u>			
Plant Specific			
Plant Non-Specific			
Customer Operations			
Corporate Operations			
Total Expense			
<u>OPERATING TAXES</u>			
Federal Income Tax (Credit)			
Deferred Income Tax			
Other Operating Taxes			
Total Taxes			
<u>NET INCOME - CELLULAR OPERATIONS</u>			
	*	*	
<u>NET SALES - OPERATING REVENUES</u>			
Gross Sales			
Cost of Goods Sold (Below)			
<u>NET SALES</u>			
<u>COST OF GOODS SOLD</u>			
Cellular Inventory Beginning of Year			
Add: Purchases			
Labor & Freight			
Material Used for Repair			
Y/E Reconcile Adjustment			
Cost of Goods Available for Sale			
Less: Cellular Inventory End of Year			
<u>TOTAL COST OF GOODS SOLD</u>			

The accompanying notes are an integral part of these financial statements.

SCHEDULES OF INTERNET INCOME

THE CONNEAUT TELEPHONE COMPANY

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
<u>OPERATING REVENUE</u>			
Basic Internet			
Customer Premise			
On Site Network Maintenance			
Web Page - Fees			
Web Page - Advertising			
Sales - Net (Below)			
Sales & Miscellaneous			
Less: Uncollectible Revenues			
Total Revenue			
<u>OPERATING EXPENSES (Page 26)</u>			
Plant Specific Operations			
Plant Specific Networking			
Plant Non-Specific Operations			
Customer Operations			
Corporate Operations			
Depreciation and Amortization			
Total Operating Expenses			
<u>OPERATING TAXES</u>			
Federal Income Tax			
Deferred Income Tax (Credit)			
Other Operating Taxes			
Total Taxes			
Miscellaneous Income			
<u>NET INCOME - INTERNET OPERATIONS</u>			
* * *			
<u>NET SALES - OPERATING REVENUES</u>			
Gross Sales			
Cost of Goods Sold (Below)			
<u>NET SALES</u>			
<u>COST OF GOODS SOLD</u>			
Internet Inventory Beginning of Year			
Add: Purchases			
Labor & Freight			
Y/E Reconcile Adjustment			
Cost of Goods Available for Sale			
Less: Internet Inventory End of Year			
<u>TOTAL COST OF GOODS SOLD</u>			

The accompanying notes are an integral part of these financial statements.

SCHEDULES OF OPERATING EXPENSES - INTERNET

THE CONNEAUT TELEPHONE COMPANY

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
<u>PLANT SPECIFIC OPERATIONS</u>			
Vehicles			
Other Work Equipment			
Land and Building			
Office Furniture			
Office Equipment			
General Purpose Computers			
Digital Electric Switch			
Circuit Equipment - Digital			
<u>PLANT SPECIFIC NETWORKING</u>			
On Site Network Maintenance			
Inside Wire			
On Site Networking Install			
<u>PLANT NON-SPECIFIC OPERATIONS</u>			
Provisioning			
Network Administration			
Plant Administration			
Testing			
Engineering			
<u>CUSTOMER OPERATIONS</u>			
Product Management			
Sales			
Advertising			
Customer Service			
<u>CORPORATE OPERATIONS</u>			
Accounting and Finance			
External Relations			
Information Management			
Legal			
Programming Costs			
Procurement			
Web Page			
Other General and Administration			
<u>DEPRECIATION AND AMORTIZATION</u>			
<u>TELECOMMUNICATIONS PLANT</u>			
<u>TOTAL OPERATING</u>			
<u>EXPENSES - INTERNET</u>			

The accompanying notes are an integral part of these financial statements.

SCHEDULES OF CABLE SUITE 541, INC. INCOME

THE CONNEAUT TELEPHONE COMPANY

For the Years Ending December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
<u>OPERATING REVENUE</u>			
Basic Cable TV			
Digital Basic			
Premium Service			
Pay-Per-View			
Installation			
Advertising			
Miscellaneous			
Less: Uncollectible Revenues			
Total Revenue			
<u>OPERATING EXPENSES</u>			
Computers			
Headend Expenses			
Customer Premise Wire			
Customer Premise Equip. Install/Repair			
Sales Expense & Marketing			
Advertising			
Customer Service			
Accounting			
External Relations			
Legal			
Other G & A			
Procurement			
Programming Costs			
Video Production			
Barter Offset			
Depreciation			
Total Operating Expenses			
<u>OPERATING TAXES</u>			
<u>LOSS BEFORE FEDERAL INCOME TAX CREDIT</u>			
Less - Provision for Federal Income Tax Credit			
Deferred Income Tax Credit			
Total Tax Credit			
<u>NET LOSS</u>			

The accompanying notes are an integral part of these financial statements.

SCHEDULES OF OTHER INCOME AND EXPENSES - DEREGULATED

THE CONNEAUT TELEPHONE COMPANY

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
<u>OPERATING REVENUE</u>			
Rentals			
Toll Resale			
Sales - Net (Page 29)			
Inside Wire Maintenance			
Service Charges			
Miscellaneous			
Less: Uncollectible Revenue			
Total Revenue			
<u>OPERATING EXPENSES (Page 30)</u>			
Plant Specific Operations			
Plant Non-Specific Operations			
Customer Operations			
Corporate Operations			
Depreciation and Amortization			
Total Expenses			
<u>OPERATING TAXES</u>			
Federal Income Tax (Credit)			
Deferred Income Tax Expense (Credit)			
Other Operating Taxes (Credits)			
Net Tax (Credit)			
<u>OTHER INCOME & EXPENSES</u>			
Other Non Operating Income			
Other Non Operating Expenses			
Total Other Income			
<u>NET OTHER EXPENSES - DEREGULATED</u>			

The accompanying notes are an integral part of these financial statements.

SCHEDULES OF NET SALES AND
COST OF GOODS SOLD - DEREGULATED

THE CONNEAUT TELEPHONE COMPANY

Years Ended December 31, 2013 and 2012


	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
<u>NET SALES - OPERATING</u>			
<u>REVENUES - DEREGULATED</u>			
Gross Sales			
Cost of Goods Sold (Below)			
<u>NET SALES</u>			
	*	*	*
<u>COST OF GOODS SOLD</u>			
Deregulated Inventory at Beginning of Year			
Add: Purchases			
Labor and Freight			
Materials Used for Repair			
Materials Leased			
Junked from Stock			
Inventory Adjustment (Reconciled to Physical Count)			
Cost of Goods Available for Sale			
Less: Deregulated Inventory at End of Year			
<u>Total Cost of Goods Sold</u>			

The accompanying notes are an integral part of these financial statements.

SCHEDULES OF OPERATING EXPENSES - DEREGULATED

THE CONNEAUT TELEPHONE COMPANY

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
<u>PLANT SPECIFIC OPERATIONS</u>			
Office Equipment			
General Purpose Computers			
Circuit Equipment - Voice			
Station Apparatus			
Inside Wire			
Network Wiring			
Large PBX			
Public Telephone Term. Equip.			
<u>PLANT NON-SPECIFIC OPERATIONS</u>			
Plant Administration			
Engineering			
Provisioning			
Access - Toll Resale			
<u>CUSTOMER OPERATIONS</u>			
Customer Services			
Product Advertising			
Product Management			
Sales Expense			
<u>CORPORATE OPERATIONS</u>			
Executive			
Accounting and Finance			
External Relations			
Legal			
Procurement			
Graphic Arts			
Other General and Administration			
<u>DEPRECIATION AND AMORTIZATION</u>			
<u>TELECOMMUNICATIONS PLANT</u>			
<u>TOTAL OPERATING</u>			
<u>EXPENSES - DEREGULATED</u>			

The accompanying notes are an integral part of these financial statements.

SCHEDULES OF OPERATING REVENUES - REGULATED

THE CONNEAUT TELEPHONE COMPANY

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
<u>OPERATING REVENUES</u>			
<u>Local Network Services Revenue</u>			
Basic Local Service			
Optional Extended Area			
Local Private Line			
Customer Premise			
Other Local - Touch Call			
Other Local - Customer Call			
<u>Network Access Services Revenue</u>			
End User			
Switched Access			
N.E.C.A. Settlement			
Special Access			
State Access - Switched Intra/E			
State Access - Special Intra/E			
State Access - Switched Intra/A			
<u>Long Distance Network Services Revenue</u>			
Intra / Inter			
Inter / Inter			
Intra / Intra			
Voice Grade			
Other - Intra DA			
<u>Miscellaneous</u>			
Directory			
Rent			
Carrier B&C - Inter			
B&C Intra/Inter			
B&C Intra/Intra			
911			
Miscellaneous			

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SCHEDULES OF OPERATING EXPENSES - REGULATED

THE CONNEAUT TELEPHONE COMPANY

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
<u>OPERATING EXPENSES</u>			
<u>Plant Specific Operations</u>			
Motor Vehicles			
Other Work Equipment			
Land and Buildings			
Furniture and Artwork			
Office Equipment			
General Purpose Computers			
Digital Electric Switch			
Circuit Equipment - Digital			
Other Terminal Equipment			
Poles			
Aerial Cable			
Underground Cable			
Buried Cable			
Aerial Cable - Drop			
Conduit System			
<u>Plant Non-Specific Operations</u>			
Access			
Provisioning			
Power			
Testing			
Plant Operations Administration			
Engineering			
<u>Customer Operations</u>			
Product Management			
Product Advertising			
Call Comp Services			
Number Services			
Customer Services			

The accompanying notes are an integral part of these financial statements.

SCHEDULES OF OPERATING EXPENSES - REGULATED (Cont'd)
AND OTHER INCOME - NET

THE CONNEAUT TELEPHONE COMPANY

Years Ended December 31, 2013 and 2012

<u>OPERATING EXPENSES (Cont'd)</u>	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
<u>Corporate Operations</u>			
Executive			
Accounting and Finance			
External Relations			
Human Resources			
Information Management			
Legal			
Procurement			
Research & Development			
Pension Expense			
Hospitalization Retirees			
Other General and Administration			
<u>Depreciation and Amortization - Plant in Service</u>			
<u>TOTAL OPERATING EXPENSES - REGULATED</u>			
* * *			
<u>OTHER INCOME - NET</u>			
<u>Income</u>			
Gain on Fiber Route Sale			
RTFC Patronage Income			
BWC Adjustment			
Interest Income			
Insurance Reimbursements			
Utility Refunds			
Miscellaneous			
Total Non-Operating Income - Regulated			
<u>Expenses</u>			
Amortization of Refinancing Costs			
Interest - Capital Lease			
Sale - Leaseback Loss			
Contributions			
Penalties & Late Payment Fees			
Miscellaneous			
Total Non-Operating Expenses-Regulated			
<u>TOTAL NON-OPERATING INCOME</u> <u>AND (EXPENSES) - REGULATED</u>			

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